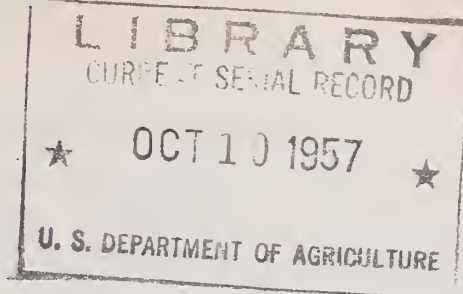


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July 1957
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JULY 24, P. M.

The

DEMAND and PRICE SITUATION

DPS-31



Approved by the Outlook and Situation Board July 18, 1957

SUMMARY

Crop output this year may total about 7 percent below last year according to growing conditions reported on July 1. This would be the smallest since 1951. In addition to acreage cuts under the Soil Bank Program, poor starts are reported for major crops planted last fall and this spring in important areas. Prospects for wheat, corn, rice, tobacco, dry beans, peas, and sweetpotatoes are all below 1956, judging from July 1 conditions. Cotton acreage planted was estimated at 14.2 million acres, 15 percent less than last year. The corn crop was estimated as of early July at 3 billion bushels compared with last year's crop of 3.4 billion bushels. But crop prospects for barley and oats are well above last year and acreage planted to sorghum grains is a record.

Total production of livestock and livestock products will likely be down slightly from 1956. Some reduction in pork output is indicated and beef production may be down slightly from 1956. Production of eggs should come close to last year's record and turkey output

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1956		1957			
		Year	June	Mar.	Apr.	May	June
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	143	141	145	143	143	143
All manufactures	do.	144	142	147	145	145	145
Durable goods	do.	159	157	162	160	159	160
Nondurable goods	do.	129	128	131	129	130	130
Minerals	do.	129	129	132	130	131	131
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	44,258	3,879	3,895	3,888	3,911	3,939
Private residential	Mil. dol.	15,339	1,475	1,388	1,360	1,335	1,364
Housing starts <u>3/ 4/</u>	Thousands	1,118	1,091	933	940	980	970
Construction contracts awarded <u>5/</u>	Mil. dol.			3,078	2,776	3,400	
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	27,586	27,651	28,770	28,586	28,586	
Durable goods	Mil. dol.	13,720	13,850	14,438	14,159	14,159	
Unfilled orders-sales ratio <u>6/</u>		4.13	4.02	4.07	4.04	3.96	
Inventory-sales ratio <u>7/</u>		1.78	1.77	1.82	1.84	1.85	
Durable goods		2.06	2.03	2.10	2.16	2.17	
Employment and wages: <u>8/</u>							
Total civilian employment <u>9/</u>	Millions	65.0	66.5	63.9	64.3	65.2	66.5
Nonagricultural <u>9/</u>	do.	58.4	58.6	58.4	58.5	58.5	59.0
Unemployment <u>9/</u>	do.	2.6	2.9	2.9	2.7	2.7	3.3
Workweek in manufacturing	Hours	40.4	40.2	40.1	39.8	39.7	39.9
Hourly earnings in manufacturing	Dollars	1.98	1.97	2.05	2.06	2.06	2.07
Income and spending:							
Personal income payments <u>2/ 3/</u>	Bil. dol.	326.9	326.8	339.5	340.6	342.9	343.8
Consumer credit outstanding <u>1/</u>	Mil. dol.	41,863	39,454	40,503	41,015	41,707	
Automobile	Mil. dol.	14,436	14,255	14,501	14,659	14,852	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	15,956	15,998	16,298			
Durable goods	Mil. dol.	5,485	5,500	5,685			
Inventory-sales ratio <u>7/</u>		1.49	1.49	1.44			
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	114	114	117	117	117	117
Commodities other than farm and food	do.	122	122	125	125	125	125
Farm products	do.	88	91	89	91	90	91
Foods processed	do.	102	102	104	104	105	106
Consumer price index, all items <u>4/</u>	1947-49=100	116	116	119	119	120	
Food	do.	112	113	113	114	115	
Prices received by farmers <u>10/</u>	1910-14=100	235	245	238	242	243	244
Crops	do.	240	261	237	242	244	241
Livestock and products	do.	230	231	238	242	241	245
Prices paid, interest, taxes and wage rates <u>10/</u>	1910-14=100	286	286	295	296	296	296
Family living items	do.	278	280	284	285	286	287
Production items	do.	249	248	258	260	259	257
Parity ratio <u>10/</u>		83	86	81	82	82	82
Farm income and marketings: <u>10/</u>							
Volume of farm marketings	1947-49=100	118	99	91	90	96	
Cash receipts from farm marketings	Mil. dol.	30,372	2,141	1,880	1,928	2,036	

Annual data for most of these items for the years 1929, 1932 and 1939-56 appear on page 31 of the April 1957 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Data published by the Department of Commerce in the Survey of Current Business, from reports of the F. W. Dodge Corporation. 6/ Unfilled orders for durables divided by monthly deliveries. 7/ Inventories, book value, end of month, divided by sales. 8/ Bureau of the Census. 9/ Starting with January 1957, figures are not strictly comparable with earlier periods because of changes in definitions of employment and unemployment. 10/ U. S. Department of Agriculture, Agricultural Marketing Service.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, July 18, 1957

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will probably reach a new high; broiler production is running above last year and for the year as a whole will likely exceed 1956. Output of dairy products is expected to surpass the 1956 record.

Combined output of both crops and livestock products, according to current production prospects, may be down as much as 5 percent from 1956. But with large carryover stocks of wheat, cotton, corn and other feed grains, supplies of farm products in general will continue large.

Cash receipts from farm marketings in the first half of 1957 were slightly above last year due to higher average prices. Government payments, primarily those under the Soil Bank Program, were also at a higher rate, so that realized gross farm income was up about 3 percent from the first half of 1956. Production expenses were higher, but not enough to offset the increase in gross income. Farmers' realized net income was at an annual rate of approximately 12.1 billion dollars. This was $2\frac{1}{2}$ percent higher than in the first half of 1956.

The value of goods and services produced by the economy rose further in the April-June quarter according to preliminary estimates and prospective trends in demand point to a continued high level of economic activity in coming months.

The second quarter gain was small, with moderate increases in spending by consumers, businessmen and the government. Output of the nation's factories and mines eased some but construction activity and other types of production continued high. Employment rose seasonally and in the second quarter averaged slightly above a year earlier. With higher wage rates, weekly earnings were also above April-June 1956 despite a shorter work week. Total personal income after taxes, in the second quarter was up 5 percent from a year earlier; but taking into account population growth and higher prices, real income per person remained virtually unchanged. With higher incomes, consumer buying also rose. Continued increases in expenditures for non-durable goods and services from the first to the second quarter more than offset some reduction in purchases of durable goods.

Business capital outlays and government spending, major forces contributing to the high level of economic activity, rose a little in the second quarter and are scheduled to increase further. Businessmen apparently are generally optimistic about prospective economic trends. Manufacturers order backlogs for durable goods, though down some in recent months, are still high. Sales and profits are running above a year ago. Although the supply situation has eased for some products, inventories in general are not excessive though stocks of autos were relatively large by the end of June. Increases in construction contract awards and some pick-up in residential housing starts point to further increases in construction activity in coming months.

Under the impetus of the cotton export program and a strong foreign demand for wheat, rice, and fats, and oils, agricultural exports reached a record 4.7 billion dollars in the year ending June, one third above a year ago. Continued high exports are likely for the remainder of 1957, with some pick-up in coarse grains offsetting possible declines in wheat and rice.

Commodity Highlights

The spring pig crop this year was the same as last year. Producers plan an increase of only 2 percent in 1957 fall farrowings. Prices of both hogs and cattle, reflecting reduced total slaughter and meat output, will be generally higher this fall than last.

Egg prices after late summer are likely to be higher than a year earlier. Egg production in 1957, even after a sharp decline in the last quarter of this year, probably will total close to last year's record of 170 million cases. Broiler prices since mid-June have been the highest of the year to date. Recent reports indicate placements are continuing above a year earlier. The course of broiler prices for the rest of the year will depend partly on how growers respond to the increased prices. The 1957 crop of turkeys will exceed the 1956 record of 77 million birds.

Soybean acreage was estimated on July 1 at 22.6 million acres, a record high; this continues the upward trend of the past eight years. Cotton acreage was estimated to be 14.2 million acres compared with 16.8 million

Soybean acreage was estimated on July 1 at 22.6 million acres, a record high; this continues the upward trend of the past eight years. Cotton acreage was estimated to be 14.2 million acres compared with 16.8 million a year earlier. Production of flaxseed is well in excess of domestic use and exportable supplies from other countries are expected to continue large.

The 1957 feed grain crop will be about 2 percent smaller than the big production of last year if July 1 indications are realized. The smaller output is largely the result of a substantial reduction in prospect for the corn crop. Even if feed grain production turns out about as indicated, feed prices probably will continue lower than a year earlier this summer and fall because of heavy carryovers.

The total wheat crop was estimated on July 1 at 940 million bushels. This is less than estimated domestic disappearance and probable exports. The 1957 rice crop is tentatively estimated to be down 18 percent from last year as a result of Soil Bank participation and underplanting of acreage allotments due to adverse weather conditions.

Total supplies of fresh fruits are expected to be a little larger this summer than last. Carryover stocks of most canned deciduous fruits are larger this year than in 1956. Retail prices of frozen orange and lemon concentrate are expected to continue lower this summer than last.

Production of potatoes for early summer harvest is estimated at 9.5 million cwt., about the same as last year, while the important late summer crop, is expected to be 8 percent below last year. Early reports indicate that 1957 sweetpotato production will be the smallest on record.

Domestic mill consumption of cotton during the 1957-58 marketing year is expected to increase slightly above the 8 3/4 million bales reported for 1956-57. Exports are estimated at between 4.5 and 6 million bales compared with 1956-57 exports of around 7.6 million. These estimates are based on very preliminary information concerning free world production and consumption.

Woolen and worsted mills used 13 percent less wool in May than in a year earlier. This was the seventh month in succession that the monthly rate was below a year earlier. The rate of carpet wool consumption by woolen mills during the first 5 months of 1957 was down 4 percent from the same period last year.

Georgia and Florida auctions for the flue-cured tobacco crop opened July 18. This year's crop in that area is indicated to be 99 million pounds, equal to about 10 percent of the entire flue-cured crop and down more than a third from 1956. The total flue-cured crop on July 1 was estimated to be

about 963 million pounds, nearly a third below last year's. The price support level for 1957 flue-cured averages 50.8 cents per pound-nearly 2 cents higher than last year's average support price.

GENERAL ECONOMIC SITUATION

Economic activity continued its steady rise in the second quarter of 1957. Total value of goods and services produced increased by about 4 billion dollars according to preliminary estimates by the Council of Economic Advisors. As in the first quarter, price increases accounted for part of the gain. Increases occurred during the quarter in business outlays for new plant and equipment, national defense spending, state and local government expenditures, and in consumer purchases of non-durable goods, and residential construction. Net foreign investment declined somewhat from the high level of the first quarter. Inventories showed a slight increase. The increase of about 3 billion dollars in final purchases of goods and services compares with 9 billion in the first quarter.

Employment in mid-June at 66.5 million was about equal to last year, and up seasonally about 1.3 million from a month earlier. Unemployment also rose slightly, as usual, from May. The decline in the length of the work week in manufacturing was halted as the number of hours worked in both durable and non-durable industries increased somewhat. Consumer incomes continue at a record level.

Consumer Income and Spending

Consumer income after taxes during the quarter just ended, according to preliminary estimates, increased around 1 percent over the first quarter, to a level about 5 percent above a year earlier. Consumer expenditures in the second quarter rose less than half as much as disposable income and the personal savings rate increased. Consumer spending repeated the pattern set last year: The steady rise in expenditures for non-durables and services continued, but purchases of durable goods declined from the first quarter rate. Personal disposable income is tentatively estimated in the second quarter at an annual rate about 4 billion dollars above the first quarter rate of 295.5 billion. The continued rise in personal income from the first quarter stemmed largely from increases in wages and salaries. Farm and rental income remained unchanged. An appreciable drop in factory payrolls was offset by further increases in earnings in non-manufacturing industries. In addition, old age and survivors benefits under the social security law have been rising sharply since the beginning of the year. This rise reflects lump sum payments to farmers and other groups who were covered by social security for the first time

in 1955 and have by now become eligible for benefit payments, as well as payments to women under the new law which permits retirement at 62 instead of 65.

Consumption Rises With Income

Consumption expenditures continued to rise slowly in the second quarter as a further rise in outlays for non-durables and services was partly offset by the decline in durable goods. The personal savings rate is tentatively estimated at about 7.3 percent of disposable income, compared with 6.4 percent in the first quarter.

Compared with a year ago, retail sales rose 4 percent in the second quarter of 1957 on a seasonally adjusted basis, with both durable and non-durable goods sharing in the increase. Advance data indicate that June sales were a half percent below the record reached in May. This slight downturn was due to lower sales of food and other non-durable goods. June sales of durable goods, on the other hand, remained steady over the month. The number of automobiles sold in June rose above a year ago although the total so far this year still lags $3\frac{1}{2}$ percent behind 1956. Sales of fans and air conditioners were high in June. Department stores sales during June, after seasonal adjustment were 2.4 percent above a year ago, compared with a 2 percent rise for the whole first 6 months of 1957.

With a high level of consumer income in prospect for coming months, consumer spending will continue to be a sustaining force in the economy. The 1957 Survey of Consumer Finances, conducted by the University of Michigan in cooperation with the Federal Reserve Board, indicates that consumers continue to be optimistic about the future. Early in 1957 purchases of new automobiles and houses were planned by the same proportion of "spending units" as in 1956, while one percent more of such units planned to buy furniture, major household appliances, and used automobiles.

Credit Finances Part of Consumer Buying

Consumer indebtedness outstanding at the end of May totaled 41.7 billion dollars, up 692 million over the month. This was about the same gain as in May 1956 with increases in both installment and non-installment credit. Consumer debt outstanding in May was equal to about 14 percent of the annual rate of consumer disposable income in the second quarter, a slightly larger share than a year ago.

Automobile paper as usual contributed most of the increase in installment credit, increasing more than in May 1956. Single-payment non-installment loans also rose more in May this year than last. New extensions of installment credit increased about 3 1/2 billion dollars in May, after seasonal

adjustment, compared with about 3 1/4 billion dollars in May 1956. For the third month in a row new extensions of credit exceeded repayments.

More than one half of spending units surveyed in the 1957 Survey of Consumer Finances reported that they had no installment debt. The survey also indicated that consumers have been adding to their liquid assets over the past year. As of early 1957 about 75 percent of all spending units questioned reported holdings of liquid assets other than currency, compared with 72 percent in 1956. In both years 33 percent reported that these holdings exceeded \$1,000.

Investment Demand

Private investment spending, including inventory changes, increased some during the second quarter. Outlays for new construction held steady as a decline in residential building was offset by a further rise in other types of construction. For the first time in over two years, expenditures on producers' durable equipment declined slightly, but were still at a rate 12 percent above a year ago. Residential construction outlays continued their uninterrupted decline from a year ago. Home building reached a low point in the first quarter with a seasonally adjusted annual rate of 933,000 units in March. With increases in starts since March, new homes were being built at an annual rate close to 1 million units during the second quarter--about 15 percent below a year ago.

Plant and Equipment Expenditures to Hold Steady

Although business expenditures on plant and equipment have leveled off, they are expected to total this year some 6 to 7 percent above 1956 according to the most recent Department of Commerce-Securities Exchange Commission survey. Business capital expenditures during the second quarter are estimated at an annual rate of 37.3 billion dollars, 8 percent above a year ago. Actual and scheduled outlays for the first 9 months of 1957 total about a tenth above the same months of 1956. Higher costs of capital goods account for possibly half of the dollar increase. Although investment outlays are leveling off, the modest upward trend at the current high level is an element of strength in general business activity. The investment boom in manufacturing is apparently stabilizing but a further expansion in public utilities and transportation is indicated. The commercial group--trade, finance, service and construction--turned down in the second quarter and is about the only major group in which investment spending is running below a year earlier.

Order Backlogs Still High

Supporting the outlook for a continued high level of capital investment is the fact that unfilled orders for durable capital goods--while considerably

below the peak reached around the turn of the year--are still high in relation to sales. In May the dollar value of manufacturers unfilled orders for all durable goods combined was $2\frac{1}{2}$ percent above a year ago, and was equal to nearly 4 months sales, the same proportion as in 1956. In machine tools the estimated backlog in May was equal to more than $4\frac{1}{2}$ months. Moreover, the ratio of goods in process to sales has risen so far this year, suggesting that future sales expectations of businessmen, particularly for durable goods, are favorable.

Inventories Stable

The growth in business inventories which began at the end of 1954 was halted during the first quarter of 1957 with a reduction in the physical quantity of inventories of around .8 billion dollars compared with a build up in excess of 5 billion dollars in the preceding quarter. Second quarter figures indicate that business inventories increased slightly. High interest rates and a generally tight money market, as well as adequate supplies of many products are causing businessmen to maintain a conservative inventory policy.

Construction At Record

The value of new construction put in place during the first six months of this year reached an all time high of 21.5 billion dollars, 3 percent above last year, according to preliminary estimates by the U. S. Departments of Commerce and Labor. Expenditures for all of 1957 may total 46.8 billion dollars, compared with 46.1 billion in 1956. Construction activity in June totaled 4.4 billion, about 2 percent above the previous high for that month reached last year.

Private construction outlays in the first half of 1957, which accounted for more than 70 percent of the total, were almost equal to last year, with only new dwellings, stores and farm buildings lagging. Public construction rose 11 percent; all major types of construction, except military facilities, contributed to the increase.

Some pick-up in private construction is likely in coming months. The dollar volume of contract awards, as reported by the F. W. Dodge Corporation, rose significantly in May. Contract awards for the first five months of 1957 at 13.7 billion dollars, were up 4 percent from the comparable period of 1956. Heavy construction contracts were up 20 percent, and private non-residential construction up 3 percent. Apparently the impact of the highway program on construction is beginning to appear. Home building awards are still lagging the first 5 months of 1956 by about 5 percent. However, in May for the first time this year, contracts for 1 and 2 family homes were not below last year. Housing starts also picked up more than seasonally in May and June, to a seasonally adjusted rate of nearly 1 million units. The new housing legislation is also expected to give an impetus to home building; not only could

down payments under FHA be substantially reduced, but 1.1 billion dollars of new funds is available to the Federal National Mortgage Association (Fanny May) to help provide more money for home mortgages.

Government Demand

Total government purchases of goods and services rose further in the second quarter reflecting, according to preliminary estimates, a continued rise in national security outlays as well as the uptrend in expenditures by State and local governments. According to a recent study by the Department of Commerce, government spending provided a market for about a fifth of durable goods output and about a third of outlays for services and construction. The impact of government demand on non-durable goods is negligible.

Budget testimony before the Congress, indicates that purchases of goods and services by the Federal government will continue high and may rise some in coming months. Furthermore the uptrend in State and local government outlays may accelerate as road construction picks up.

Industrial Output and Employment

The Federal Reserve Board's index of industrial production in June remained steady at the April and May level of 143 percent of the 1947-49 average. This was 2 points above June 1956, but 4 points below the peak reached in December 1956. The subsequent drop reflected declines in durable goods industries, especially primary metals and consumers durable goods. Many non-ferrous metals have been in temporary over-supply, and during the last week in June steel was operating at 84 percent of capacity. On the other hand, actual output of automobiles in June was 15 percent above a year ago, raising the 6-month total to $5\frac{1}{2}$ percent above January-June 1956. June output of minerals and non-durable goods was slightly above a year ago, showing only slight variations from December 1956.

Manufacturers Sales Steady In May New Orders Below Current Shipments

Manufacturers sales, seasonally adjusted, have eased slightly from 29.2 billion dollars last January to 28.6 billion in May, the latest month reported. Smaller deliveries of durable goods accounted for most of the decline. However, deliveries of both durable and non-durable goods were up from May 1956. Manufacturers new orders eased a little from January to March but have since picked up with May about 2 percent above March but still below a year earlier. New orders for durable goods declined each month from January to April but picked up in May; orders for non-durable goods were fairly well maintained. With manufacturers sales running above new orders so far this year, unfilled order backlogs have declined, reflecting reduced orders, especially in the machinery and transportation equipment (including motor vehicles) industries.

Table 1.- Gross national product, 1955 and 1956
first and second quarters 1957 with
percentage change

Item	1955		1956		1957		Percentage change from 2nd qtr. 1956 to 2nd qtr. 1957
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	
Gross national product	391.7	414.7	429.1	433.5	5.5		
Personal consumption expenditures:	254.4	267.2	276.7	277.8	4.8		
Durable goods	35.6	33.9	35.9	35.0	5.1		
Nondurable goods	126.0	133.3	137.3	138.1	4.1		
Services	92.8	99.9	103.4	104.7	5.8		
Gross private domestic investment:	60.6	65.9	62.7	64.8	--8		
New construction	32.7	33.3	32.8	32.8	-2.4		
Residential nonfarm	16.6	15.3	14.4	13.9	-10.3		
Other	16.1	18.0	18.5	19.0	5.0		
Producers' durable equipment	23.7	28.1	30.7	30.5	12.1		
Change in business inventories	4.2	4.6	--8	1.5	---		
Net foreign investment	--4	1.4	4.1	3.5	---		
Government purchases of goods and services	77.1	80.2	85.6	87.3	10.1		
Disposable personal income	270.2	287.2	295.5	299.7	4.9		

1/ Preliminary.

Employment Trends
Reflect Output

Civilian employment reached a record June level of 66.5 million, 1.3 million above May. Agricultural employment rose seasonally by 900,000 in June to 7.5 million, while non-agricultural employment increased more than seasonally to a record June level of 59 million. Manufacturing employment showed less than the usual seasonal increase. While employment in durable consumer goods industries continued to decline, the number of workers in non-durable goods industries showed a small increase after having trended downward during most of this year. Non-manufacturing jobs continued to rise seasonally.

At the same time, unemployment increased seasonally to a total of 3.3 million in June. The increase in unemployment raised to nearly 5 percent the proportion of civilian workers without jobs. The rise in both employed and unemployed was accounted for mainly by younger workers who are either seeking vacation jobs or are entering the permanent labor force after graduation.

Partly offsetting the increase in number of workers has been continued reductions in the factory work week. In June, the last month reported, the work week in manufacturing industries was down to 39.5 hours from 40.2 in January and also in June 1956. Reflecting the general easing in output of durable goods, the decline in the work week was largest in these industries. Hourly earnings are continuing to rise as escalator and other wage contracts come into operation. By June the effect of wage rate increases halted a 3-month moderate decline in take-home pay of factory workers. Weekly gross earnings in June were 4.2 percent above a year ago. Further increases are also in prospect for non-manufacturing payrolls. Altogether some 5 million workers are expected to receive wage increases in 1957 under previously concluded contracts.

Prices

Retail Prices

Advancing food prices caused the index of prices paid by farmers for consumer goods in mid-June to reach an all-time high of 287 percent of the 1910-14 average, 2 percent higher than last June. The urban consumer price index for May 1957, the latest month available, was 119.6 percent of the 1947-49 average, 3.6 percent higher than a year earlier and 0.3 percent above April. Consumer prices have edged upward continuously for 15 months with the exception of August 1956. Within the past two months, the index has reflected the seasonal rise in prices of meat and fresh fruits and vegetables, and a decline in durable and other non-durable goods. Among the other major groups, increases were registered in housing, medical care, and personal care with lower prices for transportation (as new car prices were discounted) and for recreation.

Wholesale prices in general held fairly steady since January, although reflecting a slight increase in average prices of farm products and foods. Compared with June 1956, wholesale prices rose slightly under 3 percent; farm products showed a decline while processed foods increased 3.7 percent.

Farm Prices

Continue Upward

Prices Paid Unchanged

The index of prices received by farmers rose 1 point (.4 percent) from mid-May to mid-June to 244 percent at the 1910-14 average. Higher prices for meat animals, fruit and cotton were partly offset by declines for commercial vegetables, grains and hay. The index in June a year ago was 244.

The index of prices paid by farmers for commodities, interest, taxes and wage rates (the parity index) was unchanged from May at 296, some 3 percent above a year ago. The higher prices paid for family living items were offset by lower prices of farm production goods. The parity ratio remained at 82.5 percent below a year ago and the lowest June ratio in 17 years.

Net Foreign Investment

Net foreign investment (the U. S. trade balance on goods and services less foreign aid grants and other "unilateral" transfers) in the second quarter is estimated to have been around an annual rate of 3.5 billion dollars, compared with the record 4.1 billion dollar rate established in the previous 3 months. This was 2.3 billion above the second quarter of 1956, and was due to soaring merchandise exports. Non-military exports are currently running at annual rate of nearly 21 billion dollars, compared with 17 billion in 1956. Most of the export gain has been to Europe and Japan. Imports, currently at an annual rate of 13 billion dollars are only slightly above last year. Economic aid grants were only fractionally below last year.

The high level of U. S. exports contributed greatly to the expanded level of world trade; world imports rose 10 percent between 1955 and 1956 to 98 billion dollars, and in the first quarter of 1957 were at an annual rate of 105 billion. The increased imports put a strain on the foreign exchange reserves of a number of countries, and have made necessary sizeable drawings from the International Monetary Fund. The availability of the Fund's resources to meet such temporary balance of payments difficulties, has made it possible for most countries--with the notable exceptions of Japan, India and France--to maintain a liberal import policy. In fact, Italy, Sweden and several other European countries recently further eased the restrictions against U. S. and other dollar imports.

FOREIGN DEMAND

Soaring cotton, wheat, and rice exports were largely responsible for the 35 percent gain in value, and 40 percent in the volume of agricultural exports in 1956-57--over the year ending June 1956. Exports of cotton are estimated around $7\frac{1}{2}$ million bales compared with 2.2 last year. Wheat exports, at 535 million bushels were nearly 200 million bushels above last year. Rice exports (milled basis) are estimated at more than double compared with last year's total of 11.8 million hundredweight. United States government programs which made cotton and other CCC-held commodities available for export at competitive world prices and the large volume of foreign currency sales and barter have played an increasing role in foreign marketings. These programs, coupled with reduced foreign stocks of some commodities, and the continued expansion of economic activity and money incomes abroad have helped bring about the unprecedented U. S. farm exports. Western Europe, Japan and Canada remained the best markets, but the largest relative increases in exports over last year were to India, Pakistan and Korea. Except for a slight decline in cotton output from the record 1955 crops, foreign production of major U. S. export commodities continued to expand during 1956-57.

Table 2.- Foreign production of major United States export commodities 1/

(1935-39=100)

Item	1945-49 average	1953-55 average	1955	1956
Wheat	88	117	121	124
Corn, Barley, Oats	86	107	114	120
Rice	95	111	114	119
Cotton	73	130	134	134
Tobacco	94	115	122	123
Soybeans	84	94	97	98
Lard and Tallow	79	113	117	122
Quantity index of United States Farm exports <u>2/</u>	165	168	192	270

1/ Calendar years, or year of harvest in Northern Hemisphere.

2/ Value at average 1952-54 unit export values for fiscal year following production year. Last year estimated.

Based on data prepared by the Foreign Agricultural Service.

FARM INCOME

Farmers' cash receipts from marketings in the first half of 1957 were about 12.6 billion dollars, or slightly above the corresponding period of 1956. Prices averaged 3 percent higher than a year ago, but the volume of marketings was down a little. Receipts from livestock and products, at 8.1 billion dollars, showed a gain of 4 percent. Hogs and cattle were both up moderately because of higher prices. Receipts from wholesale milk were a little above last year due to larger marketings and slightly higher prices. Crop receipts for the first 6 months were 4.5 billion dollars, down slightly from 1956, mostly because of a small decline in marketings. Smaller receipts from cotton, fruits, and vegetables more than offset larger receipts from corn and soybeans.

Cash receipts from marketings in June were approximately 2.1 billion dollars, or about the same as a year ago. Receipts from livestock and products of 1.3 billion dollars and crop receipts of 0.8 billion dollars were both close to 1956 levels. Receipts from cattle and hogs were up, but those from eggs were down. Receipts from the crop group were much the same as last year.

LIVESTOCK AND MEAT

The pig crop this spring was unchanged from the spring of 1956. It was 8 percent below the spring of 1955 and 2 percent less than the 1946-55 average. Producers plan an increase of only 2 percent in 1957 fall farrowings. This steadiness in hog output suggests that producers are trying to avoid too rapid expansion, which proved so disastrous in 1955.

Cattle slaughter so far this year has equaled that of last year, but in remaining months it will be less than a year ago. Prices of both hogs and cattle, reflecting a reduced total slaughter and meat output, will be generally higher this fall than last.

Prices of hogs will decline seasonally but may stay above 1956 levels until about December. Prices of feeder cattle are likely to drift seasonally lower. Prices of fed cattle may hold their seasonally higher level this fall, or possibly rise somewhat more. On July 1, 8 percent more cattle were on feed than on the same date last year. The supply of fed cattle for slaughter the rest of the summer may be above last summer, when it was unusually small. However, because movements of feeder stock into feed lots this summer are not especially large, fed cattle supplies this fall may be no larger than last fall.

Sizable early marketings of new-crop lambs brought an early price decline. Somewhat more seasonal reduction is possible but it would be small. The smaller total meat supplies make it likely that lamb prices this fall will average at least as high as last fall.

Prices of meat at retail generally have been higher than a year ago. Among pork cuts, bacon is up sharply but ham less. Ham prices normally are the less changeable, and their cold storage stocks this year are relatively larger.

Meat consumption per person in 1957 is forecast at 159 pounds. Last year's rate was a record 167 pounds.

DAIRY PRODUCTS

Production of milk in the first half of 1957 was 67.3 billion pounds compared with 66.8 billion during the same period in 1956. Assuming normal weather, production of milk during the second half of 1957 will continue at record levels. Production for the year as a whole will be above the record 125.7 billion in 1956.

Prices received by farmers for milk and butterfat, were above a year earlier in the first part of 1957 but are now running at about the same levels as last year. This comparison is influenced by the fact that support levels of manufacturing milk and butterfat were increased in April 1956, and prices in some fluid markets increased contraseasonally last year. Prices have shown the normal seasonal decline and have reached their seasonal low; they will rise as production decreases seasonally. With increased sales of milk and with slightly higher prices, cash receipts from dairy products will again increase and will at least equal the record of 4.6 billion dollars reached in 1952.

Consumption of fluid milk and cream by nonfarm people increased from 330 pounds per person in 1950 to 343 pounds in 1956, an increase of 4 percent. During this period, consumer incomes increased 11 percent while retail prices for milk remained about the same, each adjusted for changes in the general price level. The special School Milk Program which got under way late in 1954 also has been an important factor in expanding fluid milk consumption. Because of the continued shift in population from farm to urban areas where per capita consumption of fluid milk and cream is only about 3/4 of the farm consumption, per capita consumption of fluid milk and cream by the total population rose only 2 percent--from 349 to 355 pounds. Sales of fluid whole milk in Federal order markets continue to show increases in 1957. Sales of milk and cream mixtures and skim milk items also show significant increases, but sales of fluid cream are below a year earlier. So far in 1957, consumption of cheese, evaporated milk, and ice cream probably is about the same as the year before. However, consumption of butter apparently is running below that of a year earlier.

For the first three months of the marketing year beginning April 1, CCC purchased about the same quantity of butter and nonfat dry milk as the year before. However, purchases of Cheddar cheese have been running ahead of last

year's acquisitions. Although dispositions by CCC continue at a high rate, Government stocks of dairy products have increased during this period of seasonally heavy purchases. They are expected to decline as purchases are reduced seasonally. As of June 30, 1957 supplies held by CCC amounted to 71 million pounds of butter, 167 million pounds of cheese, and 116 million pounds of nonfat dry milk.

POULTRY AND EGGS

The seasonal increase in farmers' prices for eggs in the next few months is likely to be more pronounced than in other recent years, and after late summer prices are likely to be higher than a year earlier. Hatchery reports indicate that almost 20 percent fewer replacement pullets are being raised than last year. Egg production in the second half of 1957 is likely to decline more than usual.

Egg production during June continued a little ahead of a year earlier, as it has in other recent months. The number of layers on farms July 1 was almost equal to the 281 million of a year earlier and the rate of production per bird continued at new record levels. Because of increased output so far this year, egg production for 1957 as a whole probably will total close to the 1956 record of 170 million cases. Prices for the year are likely to average a little under 1956. During the first half of 1957, the average of 31 cents per dozen received by farmers was 20 percent less than in the same period of 1956.

Consumption of eggs per person this year has not changed appreciably from 1956 despite sharply lower prices and record consumer incomes. Storage of shell eggs increased this spring. Stocks on July 1 were the second largest for the date since 1952 through well below pre-war levels. Total stocks of frozen eggs are about the same as last year, while so far this year hatcheries have taken fewer eggs than in 1956.

Slaughter of broilers is running above a year earlier and about the level of 2 to 3 months ago. But with consumer demand seasonally strong, broiler prices since mid-June have been the highest of the year to date. In mid-June the average price to farmers was 20.7 cents per pound compared with 20.2 cents a year earlier. Recent reports indicate placements are continuing above a year earlier. Since demand will be weakening seasonally by the time these broilers are marketed, some decline in prices from present levels is likely this fall.

Although turkey hatchings in recent weeks have declined below a year earlier, the 1957 crop will exceed the 1956 record of 77 million birds raised. Continuing large storage stocks of turkeys also tend to hold turkey prices down, and quotation for frozen heavy toms in New York City are below last year by as much as 20 cents per pound (30 percent). Stocks of other poultry --principally fowl--are also at a high level although holdings of ducks are lower than in other recent years.

OILSEEDS, FATS, AND OILS

The July 1 crop report indicated soybeans planted alone for all purposes at 22.6 million acres. This is a new record and the eight consecutive increase. About 21.6 million acres of the total acreage planted to soybeans this year (alone plus interplanted) will be harvested for beans if growers carry out their intentions as of July 1. This is 3.5 percent above last year and a new record. Cotton in cultivation on July 1, 1957 is estimated at 14.2 million acres, 15 percent less than in 1956. The 1957 allotments total 17.7 million acres, but about 3.0 million acres were placed in the Soil Bank.

Carryover stocks of food fats on October 1, 1957, the beginning of the new marketing year, are expected to be smaller than a year earlier. Among the various commodities, stocks of butter probably will be slightly larger than on October 1, 1956. Stocks of edible oils will be somewhat smaller than a year earlier but still adequate as a working inventory. Lard stocks are expected to be down to the level of two years earlier.

Output of lard in the marketing year beginning October 1, 1957 is expected to total about 2,700 million pounds compared with 2,650 estimated for the current crop year. The increase would reflect a rise in hog slaughter.

The 1957 pig crop, which will provide most of the hogs for slaughter in 1957-58, is estimated at 90.2 million head, about 1 percent more than a year earlier. The 1957 spring pig crop, which is beginning to provide hogs for slaughter, was 53.2 million head or about the same as the 1956 spring crop. If farmers intended farrowings as of June 1 are realized and the number of pigs saved per litter equals the average, plus an allowance for upward trend, the 1957 fall pig crop would be 37 million head, a half million more than a year earlier. Most of these hogs will move to market in the first half of 1958.

Output of inedible tallow and greases in 1957-58 is likely to stay at the high level of the present marketing year. Tallow production may be down very slightly due to reduced cattle slaughter. On the other hand, this probably will be offset by increased output of grease, reflecting a slight increase in hog slaughter.

Flaxseed prices are currently below the 1957 crop support level, reflecting the domestic surplus situation. Production is well in excess of domestic use and exportable supplies from other countries are expected to continue large. Prices of flaxseed and linseed oil in world markets are now too low to permit the sale abroad of U. S. supplies at prices that would reflect the U. S. flaxseed support price to farmers. CCC probably will acquire a substantial part of the 1957 crop as was the case for 1956.

CCC acquired 15.4 million bushels, nearly one-third of the 1956 crop flaxseed. The Corporation has sold about 14.0 million bushels through mid-July. These sales were for export at prices considerably below the U. S. support level.

The outlook for the 1957 tung crop is favorable as the tung orchards were not seriously hit by early spring freezes. Carryover stocks of tung oil on November 1, 1957 will be influenced considerably by the President's forthcoming determination on import controls.

FEED

The 1957 feed grain crop will be about 2 percent smaller than the big production of last year if July 1 indications are realized. However, the carryover of feed grains into 1957-58 is expected to be about 14 percent larger than the 43 million tons carried over last year. Also, supplies of byproduct feeds have been increasing in recent years, largely as the result of increasing production of soybean meal, and they are expected to continue large in the 1957-58 feeding season. The total supply of feed grains and other concentrates may be slightly larger than the record supply of 200 million tons in 1956-57.

The slightly smaller feed grain production in 1957 is the result of the substantial reduction in prospect for the corn crop. Because of a smaller corn acreage and unfavorable weather for planting and early growth, the 1957 crop is estimated at 3,012 million bushels, 439 million less than the big crop produced in 1956. But with a record carryover of around 1,450 million in prospect, the total supply would be around 4.5 billion bushels, only a little below the record supply of 4.6 billion bushels last year. While the oat crop is almost a fifth larger than last year the carryover is sufficiently smaller so that the total supply is up only about 6 percent. The barley supply is expected to total about 584 million bushels, 13 percent larger than last year. A record hay supply is in prospect and pasture conditions on July 1 were much better than on that date in 1956.

Feed grain prices, with the exception of oat prices, averaged somewhat lower during June and early July this year than in the same period of 1956. Cash corn prices have made only a small seasonal rise, unlike 1955-56, when corn prices increased considerably from November to July. The average price of \$1.33 for No. 3 Yellow corn at Chicago in the first half of July was 22 cents lower than a year earlier. Prices of barley have declined seasonally in recent months and in early July continued below a year earlier. Oat prices in June and early July generally have been somewhat higher than a year earlier. In June wholesale prices of high-protein feeds averaged about 13 percent lower than in June 1956. If feed grain production turns out about as indicated above, feed grain prices probably will continue lower than a year earlier this summer and early fall.

WHEAT

The total wheat crop was estimated as of July 1 at 940 million bushels, 6 percent below 1956. This is less than estimated domestic disappearance and probable exports, and a further substantial reduction in the carryover by July 1, 1958 is likely. The carryover on July 1, 1957 plus indicated production would result in a total supply of wheat for 1957-58 of about 1,850 million bushels.

Analysis of prospective supply and distribution by classes indicates continued very large supplies of hard red winter wheat and abundant supplies of hard red spring wheat. Prospective supplies of durum are more than sufficient to meet domestic requirements, and those of soft red winter and white wheats are ample for domestic needs and sizable exports.

The late harvest of winter wheat strengthened wheat prices in June and delayed the seasonal downward adjustment in prices. However, on July 5 the price of No. 2 Hard Winter, ordinary protein, at Kansas City, at \$2.10 had dropped to the lowest level since July 1956, and was 23 cents below the high level in April. Rain at harvest time not only delayed harvest and reduced yields but also reduced quality. The price of No. 1 Soft White at Portland on the same date was \$2.34, down 30 cents from the highs reached in April, and the price of No. 2 Soft Winter at St. Louis, at \$2.11, was down 18 cents from April highs. On the other hand, the price of No. 1 Dark Northern Spring at Minneapolis, at \$2.23, was down only about 10 cents. On July 18, prices were up compared with July 5 as follows: At Kansas City 1 cent, Minneapolis 13 cents and St. Louis 6 cents.

The national average support price for 1957-crop wheat will be \$2.00 per bushel, unchanged from the announcement on July 2, 1956. Minimum 1957 terminal and county wheat price support rates announced May 16 remain in effect for this year's crop.

Returns from the referendum held June 20 in the 36-State wheat producing area showed that 86.2 percent of farmers voted in favor of marketing quotas for 1958-crop wheat. Because more than two-thirds of the farmers voted favorably in the referendum, marketing quotas will be in effect for the 1958 crop. The referendum marked the seventh time farmers have voted to make marketing quotas effective.

RICE

Carryover stocks of rice, in rough rice equivalent, on August 1, 1957 are expected to be reduced around 45 percent from the all-time record of 34.6 million cwt. on August 1, 1956. This reduction results from a smaller crop in 1956 (47.4 million cwt. in 1956 compared with 56.0 million cwt. in 1955) and very large exports during the 1956-57 market year, mostly under Public Law 480.

The take-over of 1956 rice by the Commodity Credit Corporation under its price support operations is expected to total about 17 million cwt. While some 1956-crop rice from California has already moved into exports commercially, 1956-crop milled rice delivered to the CCC under its milling contracts probably will not begin to move into export until August, after the beginning of the new market year.

The 1957 crop, estimated as of July 1, at about 39 million cwt. is down 18 percent, as the result of acreage diversion under the Soil Bank and underplanting of allotments due to adverse weather conditions. These cuts bring supplies more in line with demand and a further substantial reduction in carryover is likely by August 1, 1958. But supplies are still substantially above average and large enough to take care of domestic needs, continued large exports, and still leave a sizeable carryover.

FRUIT

Total supplies of fresh fruits are expected to be a little larger during this summer than in this season of 1956. Carryover stocks of most canned deciduous fruits are larger this year than in 1956. Consumer demand for fruit continues strong.

In early July, production prospects were for a deciduous fruit crop about as large as in 1956. The crops of sweet cherries and sour cherries were expected to be much larger than the 1956 crops. Those of apricots, apples and strawberries were expected to be moderately larger, and that of pears slightly larger. In contrast, production of peaches was expected to be down slightly, that of grapes and California dried prunes down moderately, and that of plums and Pacific Northwest prunes down considerably. However, total production of peaches other than California clingstones, which are used mostly for canning, is up slightly. In grapes, the reduction is mostly in raisin varieties. Prospects were for increased production of walnuts and filberts, but lighter production of almonds.

Packers' stocks of 9 canned fruits combined (apples, applesauce, apricots, RSP cherries, sweet cherries, fruit cocktail including fruits for salad and mixed fruits, peaches, pears, and Pacific Northwest purple plums) on June 1, 1957 were about 51 percent larger than a year earlier. All items were up except apricots and cherries. But wholesale distributors' stocks of the above 9 items combined were down 3 percent. On July 6, 1957, packers' stocks of Florida canned citrus sections and salad were about 8 percent smaller than a year earlier. Canning of 1957-crop deciduous fruits is now under way and will increase as the summer advances.

Most of the fresh market oranges for summer will be California Valencias, as usual, of which remaining supplies on July 1, 1957 were a little lighter than a year earlier. However, because of slowness in marketing the Florida Valencia crop, more of these oranges than last year remained to be used after July 1. Supplies of lemons and limes also are heavier this summer. Supplies of fresh grapefruit will be seasonally light this summer, as usual, and will come mostly from California. During early July, auction prices for California oranges and lemons and Florida oranges and grapefruit averaged lower than a year earlier.

Output of frozen orange concentrate in Florida by July 6 of the 1956-57 season was over 71 million gallons, a new record slightly exceeding the pack of a year earlier. Stocks held by Florida packers were up about 4 percent. Retail prices for frozen orange concentrate have declined since last fall to levels in recent months a little below a year earlier, and are expected to remain low this summer. Movement of this concentrate has been moderately larger than last season, but not quite heavy enough to offset the small increase in output and the relatively large carryover stocks last fall. Retail prices for frozen concentrate for lemonade also are expected to continue lower this summer than last.

Cold storage stocks of frozen deciduous fruits and berries (excluding juices) on July 1, 1957 were about 1 percent larger than a year earlier. Stocks of frozen strawberries were about the same as in 1956. Stocks of frozen cherries were down more than a third from a year earlier. Output of frozen strawberries this year may total less than in 1956. In contrast, with a much larger crop of sour cherries this year, some increase in output of frozen cherries is expected.

COMMERCIAL VEGETABLES

For Fresh Market

Vegetables for fresh market, excluding melons, promise to be in about the same supply this summer as last. Early July estimates for vegetables comprising two-thirds of summer tonnage indicate an output substantially the same as last year, but moderately above the 1949-55 average. Among individual vegetables, production of early summer onions and green peppers, and summer celery and cucumbers is expected to be above both a year earlier and average. These increases are about offset by less than last year and below average production of lima beans, beets, cabbage, eggplant, escarole, and spinach. Supplies of early summer tomatoes and summer snap beans and corn are likely to be about the same as last year.

Disposable income is expected to remain high during the next few months, and consumer demand for vegetables is likely to continue strong. If current production prospects materialize, prices received by growers during the next 8 to 10 weeks are expected to average near those of both a year ago and the 1949-55 level.

Prospective production of watermelons for summer harvest is up 5 percent from last year and 9 percent above average. Output of combined early and mid-summer cantaloups is expected to be moderately larger than a year ago, but about a tenth below the 1949-55 average. In the early part of the season, prices for cantaloups and watermelons have averaged significantly above those of a year earlier, but as supplies increase, prices are expected to decline to around year earlier levels.

For Processing

Supplies of processed vegetables are expected to continue well above average levels. Acreage of vegetables for processing is down 4 percent from last year and yields are expected to average below the high levels of a year earlier. But the expected reduction in pack, compared with a year earlier, will be largely offset by heavier beginning stocks.

Production estimates are currently available for only a few crops. Tonnage of winter and spring spinach, which makes up about three-fourths of the annual total for this crop, was about the same as last year; indicated production of green peas for processing is 5 percent less than last year, but substantially above the 1949-55 average; and estimated tonnage of snap beans is 7 percent above last year and substantially above average.

Large supplies of processing items are in prospect but with higher costs of processing and handling than last year, both wholesale and retail prices for the 1957 pack are likely to average above those of a year earlier.

POTATOES AND SWEETPOTATOES

Production of potatoes for summer harvest promises to be moderately smaller this year than either last year or average. The early summer crop is expected to be about the same as in 1956, but the important late summer crop is expected to be down about 2.7 million hundredweight, about 8 percent. Despite the lower level of production for summer harvest, supplies of potatoes at the consumer level may be as large as last summer. For one thing, more overlap in marketings occurred from the larger late spring crop where harvesting lagged because of low prices. Any temporary interruption in harvest will have much less impact on prices, because fewer potatoes will be needed for restocking purposes.

Acreage of potatoes for fall harvest was reported on July 1 to be down 1 percent from last year. No production estimate is as yet available.

Early reports indicate that sweetpotato production in 1957 will be slightly less than last year, and almost a fifth below the 1949-55 average. A moderate cut in acreage was partly offset by slightly higher prospective yields. The smaller supplies are expected to move to market at prices moderately above either those of a year earlier or average.

DRY BEANS AND PEAS

Smaller supplies of both dry beans and dry peas are in prospect for the coming marketing season. Indications are that carryover stocks of dry edible beans at the end of the current marketing season will be

substantially smaller than either a year earlier or average. Production in 1957 is also expected to be down slightly from 1956. While these estimates give a total supply moderately smaller than last year, they appear more than adequate to meet domestic and normal export requirements. With smaller supplies and the same national average support level, overall prices received by farmers for 1957 crop beans probably will average at least moderately higher than in the previous season.

Indications are that supplies of dry field peas in the coming marketing season will be substantially smaller than the large quantity available in 1956-57, but moderately to substantially above average. Prospective production at 3.1 million bags (cleaned basis) is down a third from last year, and this will be only partly offset by a much larger carryover of peas from the 1956 crop. Although export demand is not expected to be as high as a year earlier, prices for the 1957-58 season are likely to average at least moderately above the relatively low levels of the previous season.

COTTON

Disappearance of cotton during the 1957-58 marketing year which begins August 1, is expected to be between 13.5 and 15 million bales. The center of this range would be more than 2 million below 1956-57, but larger than in any other season since 1951-52. The relatively large disappearance in 1957-58 will probably be caused by relatively large exports as domestic mill consumption is expected to be about the same as the 1952-56 average.

Domestic mill consumption of cotton in 1957-58 is expected to increase slightly above the 8-3/4 million of 1956-57. Consumer income is expected to continue high, but manmade fiber consumption is expected to increase slightly. Another plus factor is the ratio of stocks of cotton broadwoven goods to unfilled orders at the mill level which declined in May and seems likely to continue below the high level of recent months but above the post-World War II average of 0.38.

Based on preliminary information on production, consumption and stocks in the foreign free world, exports probably will fall within the range of 4½ to 6 million bales. It should be recognized, however, that small percentage variations in production, consumption, and stocks abroad could cause rather large variations in exports of U. S. cotton. Also, the level of exports for the coming season will be influenced by government policies.

Exports will be affected by the amount of funds made available by the U. S. Government to finance exports of cotton. During the year beginning July 1, 1956, these funds totaled about 405 million dollars. These funds financed the export of about 2.7 million bales. During the year ended June 30, 1956 about 256 million dollars were made available to finance the export of about 1.5 million bales. For the fiscal year ending June 30, 1958 about 140 million dollars had been made available as of July 18, and additional funds may be authorized in the next few months.

JULY 1957

About 14.2 million acres of cotton were in cultivation on July 1, 1957. This compares with acreage allotments for all kinds of cotton of about 17.7 million acres and acreage in cultivation a year earlier of about 16.8 million. The 1957 figure is smaller than harvested acreage in any year since 1878. About 3 million acres of the 17.6 million acreage allotment for Upland cotton were signed under the acreage reserve program for 1957.

Because varying proportions of each State's acreage allotments were signed, some areas' proportions of the total U. S. acreage in cultivation changed rather sharply from a year earlier and from the acreage allotment. The proportion in the Southeast decreased rather sharply, and the proportion in the West increased. The Southwest gained somewhat, but the Delta States held about the same. If the average yield per acre is the same in 1957 for each area as it was in 1956, the average yield for the U. S. also would be about the same. The increased proportion of the total acreage in the low yielding area of the Southwest would about counterbalance the increased proportion of the total acreage in the West, the area with the highest yield.

Since August 1, 1956 the average 14 spot market price for Middling, 1-inch cotton has remained close to the 1956 average loan level at these markets. However, in recent months the average spot market price has increased slightly. The average price in August 1956 was 33.01 cents per pound and in June 1957 it was 33.97 cents per pound. The average loan rate at these markets for the 1956 crop was 33.02 cents. The average price on July 18 was 34.02 cents.

WOOL

When the 1956-57 Australian auction season closed late in June, prices of most merino wools were between 10 and 15 percent above a year earlier and 25 to 35 percent higher than in late 1955, when prices were at the low of a sharp decline which had started in mid-1954. However, they ranged up to 5 percent below the peak levels reached in May of this year.

Early in July, Boston quotations for domestic wools also were considerable higher than in late 1955. Quotations for fine and half blood wools indicated net advances ranging from 30 to 45 percent. They were between 25 and 35 percent higher than a year earlier. The greatest increases were for Texas wools. Quotations for three-eighths blood and coarser wools were up 10 to 30 percent from levels prevailing at the time the advance began and up 5 to 25 percent from a year earlier.

The June average of prices received by domestic growers for shorn wool was 56.4 cents per pound, grease basis, up 1.2 cents from a month earlier and 14 cents from a year earlier. Between January 1956 and June 1957 the monthly average advanced 18.6 cents or 49 percent. This advance followed a decline of 17.4 cents or 32 percent over the previous year and a half. So far this season, the monthly averages have been between 23 and 33 percent higher than last season.

Shorn wool payments under the 1956 wool incentive program will amount to 40 percent of the dollar returns each producer received from the sale of shorn wool during the 1956 marketing year. The rate of 40 percent is the amount needed to bring the average return per pound up to the incentive level of 62 cents. This is lower than the rate used under the 1955 program. The incentive level was the same as for 1955, but the average price received, 44.3 cents, was 1.5 cents higher than that for 1955.

Commodity Credit Corporation sold only 557 thousand pounds of the monthly quota of 6 1/4 million pounds under the competitive bid sales program last month. This was the smallest quantity sold in any month since the program went into effect in November 1955. As of the end of June, CCC holdings were down to 22.4 million pounds, from which 1.7 million pounds remained to be selected against the second Turkish barter contract.

Woolen and worsted mills used 13 percent less apparel wool in May than a year earlier. The rate of consumption was down from a year earlier for the seventh month in succession. The average weekly rate for the first 5 months of this year was 14 percent below a year earlier. The rate of woolen and worsted mill use of manmade fiber during the same period was up 9 percent from early 1956. Mill use of carpet wool during May was 17 percent lower than in May 1956, but use of manmade fiber by woolen mills in the spinning of carpet yarn was up 8 percent. The rate of carpet wool consumption by woolen mills during January-May was 4 percent below a year earlier; their rate of use of manmade fiber was down 1 percent.

United States imports of dutiable wool for consumption during January-April were 29 percent below a year earlier. Imports of duty-free wool were down 18 percent.

TOBACCO

Principally because of reduced allotments and acreage placed in the Soil Bank, combined acreage of tobacco for harvest this year is indicated as of July to be 17 percent below 1956 and the smallest in nearly 50 years. Average yields per acre for nearly all kinds are also indicated to be lower than obtained last year. Consequently, July indications were for smaller production of all kinds of tobacco than harvested in 1956. For most kinds, however, the carryovers from previous crops are substantial.

Georgia and Florida auction markets for the 1956 crop of flue-cured opened July 18. The average price for the first day's sales, based on early sales in representative markets, was indicated to be moderately higher than the average price for the first day's sales last year. The season average price of last year's Georgia-Florida crop was 48.5 cents per pound. This year's crop is indicated to be 99 million pounds, down more than a third from 1956, and equal to about 10 percent of the entire flue-cured crop. Opening dates for auctions in the other flue-cured belts range from late July into September.

The July indication was for a total flue-cured crop of 963 million pounds, nearly a third below the 1956 outturn and the smallest since 1943. Stocks of flue-cured on July 1, 1957, are estimated at about one-tenth larger than a year ago. Carryover plus this year's sharply reduced crop will provide a total supply 6 percent less than the record 1956-57 supply. The price support level for 1957 flue-cured is 50.8 cents per pound--nearly 2 cents higher than the 1956 support.

About four-fifths of the 1956 crop of Maryland tobacco has been marketed. Through July 12 auction prices averaged 50.9 cents, compared with 52.7 cents in the comparable period of last season. The indicated 1957 Maryland crop as of July 1 was 11 percent smaller than the estimated 1956 production; a further decline may be possible as a result of near-drought conditions subsequent to the July Crop Report.

The 1957 crop of Burley tobacco at 490 million pounds, estimated as of July 1, is 3 percent less than last year. Carryover on October 1 is expected to be slightly less than on October 1, 1956. Total 1957-58 supply is indicated to be 1 percent below the 1956-57 level.

Flue-cured, Burley, and Maryland tobaccos are primarily used in cigarette manufacture. Cigarette output in the 12 months ended June 30 is estimated at 3 percent above 1955-56. However, utilization of tobacco does not appear to be increasing commensurately with cigarette production. More cigarettes are being manufactured per pound of leaf tobacco than formerly.

According to July 1 indications, the 1957 fire-cured and dark air-cured crops will be 29 percent and 28 percent, respectively, smaller than last year.

July indications for the cigar tobaccos were for a sharp reduction in the combined binder crop, and lesser reductions in the filler and wrapper crops. A sizeable cut-back in acreage in the Connecticut Valley has reduced 1957 estimated outturn of cigar binder in that area to one of the smallest on record. Growers of cigar binder types are adjusting to the reduced requirement for these types, which has resulted from the development of "manufactured binder sheet."

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